

**PRESENTATION BY THE MAYOR CLLR MAVUSO OF
EDUMBE LOCAL
MUNICIPALITY, CLLR MAVUSO ON THE OCCASION OF
COUNCIL.**

**TABLING OF THE DRAFT BUDGET FOR 2020/21 MID
TERM REVENUE AND EXPENDITURE
FRAMEWORK**

Date: 24 MARCH 2020

Madam Speaker
EXCO Member
Honourable Members of Council
Amakhosi asendlunkulu
Municipal Manager
Heads of Department
Municipal Officials present
Delegation
Community members
Distinguish guests

Good morning, Sanibonani

Introduction

After a successful journey for the preparation of the Draft Budget of the Municipality we have come to an end of the preparation and we now have one step in from of us which will be to approve the Draft Budget for 2020/21 Financial Year with two outer years.

The public participation in terms of chapter 4 of the systems Act was conducted and the views of the community has been noted and where budget is available has been catered for on the Draft Budget with some of the requests going to be discussed with other organs of state and our District Municipality as they fall outside our functions.

Madam Speaker

As we prepare ourselves to cement the values of democratic rule and participation, we should equally take stock of the challenges facing our municipality, many of which we were able to appreciate and deal with during our strategic planning workshop. Amongst these, is how do we turnaround our municipality? The council resolved on its meeting held on 24 January 2020 after the Mid Year Assessment was tabled to Council that Financial Position of the Municipality is a challenge therefore KZN COGTA and Treasury must engaged to assist the municipality. That resolution does not take away the responsibility of the council to better the situation.

Legislative requirements

In terms of section 24 (1) of the Municipal Finance Management Act, the municipal council must at least 30 days before the start of the budget year consider approval of the a draft budget. Section 24 (2) stipulates that an annual budget (a) must be approved before the start of the budget year; (b) is approved by the adoption by the council of a resolution referred to in section 17(3)(a) (i).

Impact of national, provincial and local policies

Integration of service delivery between National, Provincial and Local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities, as articulated by the President of the country in his State of the Nation Address (SoNA) early this year, form the basis of all integration Initiatives:

Impact of national, provincial and local policies

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption

National Treasury's MFMA Circular No. 85 and 86 were used to guide the compilation of the 2020/21– 2022/23 MTREF. The mSCOA Regulations was also taken into account when the draft budget was compiled and the budget complies with the mSCOA requirements.

KEY CHALLENGES

No	Key Challenge	Remedial Action in place
1	Small revenue base	Review and implementation of Revenue enhancement strategy
		Development of Debt collection (Addressing the title deeds issue)
		Implementation of Planning and Development Act
2	Job opportunities	Provide conducive environment for developers to invest
3	High grant dependency ratio	Review and implementation of Revenue enhancement strategy

KEY CHALLENGES

No	Key Challenge	Remedial Action in place
4	Electricity losses	Implement electricity loss strategies
		Community awareness to reduce or eliminate illegal connections
5	Cash flow challenges	Implement cash management control policies and cost containment measures
6	High customer debt/non payment	Community awareness by political leadership on need to pay for services. Enforcement of Credit and Debt control policy. Development of Credit and Debt Control bylaw.

KEY CHALLENGES

No	Key Challenge	Remedial Action in place
7	Increase in ESKOM tariffs	Alignment of Municipal tariffs with Eskom tariffs through NERSA engagements. Ensure cost reflective tariffs
8	Indigent Management	Review of Indigent Policy, development of credible Indigent Register and implementation of indigent management.
9	Capacity building	Skills audit and development plans for all municipal staff especially Budget and Treasury Office
10	Ageing infrastructure	Development of maintenance plan

The key focus area where eDumbe Municipality is rendering service to community includes the following:

1. Electricity supply
2. Municipal roads and Solid waste removal
3. Cemeteries
4. Fire fighting and Public safety services

Summary of Budget

KZN261 eDumbe - Table A4 Budgeted Financial Performance (expenditure management)

Description	2020/21 Medium Term Revenue & Expenditure Framework		
	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand			
<u>Expenditure By Type</u>			
Employee related costs	66 365	71 178	76 412
Remuneration of councillors	5 805	6 154	6 646
Depreciation & asset	11 000	11 660	12 360
Debt impairment	10 000	10 600	11 236
Bulk purchases	26 814	28 423	11 236
Contracted services	11 149	11 781	11 236
Other expenditure	12 698	11 708	12 398
Repairs and Maintenance	7 463	7 797	9 074
Total Expenditure	151 294	159 300	170 741

Electricity projected income

NERSA has approved an average increase to Eskom on bulk electricity by 9 % per cent. The municipality have submitted the tariff application to NERSA with an increment of 13.1% as per the NERSA guidelines which was given to all license municipalities dated 23 February 2018.

Electricity projected income

The projected income is below the projected Bulk Purchases which shows a huge problem on the electricity business which must be addressed during the implementation of the budget to close the gap between the income and expenditure. New Developments and new connections were taken into account when the income amount was projected but losses due to tempering was not considered.

Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process. The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value as per MPRA. In addition to this rebate, a further R95 000 reduction on the market value of a property will be granted in terms of eDumbe Local Municipality's Property Rates Policy to be implemented in 2020/21 to address the value of the properties for indigent household taking into account the RDP House value. The reduction has been increased from R45 000 to R95 000 as per the reviewed Property Rates policy for 2020/21.

Draft Rates Tariffs

Property Category	Budget 2019/2020	Rebate	Budget 2020/21	Rebate
Residential	0.008949		0.001873	
Business, Commercial	0.02237	10%	0.02411	10%
Industrial business	0.01342		0.02441	
Agricultural	0.002237		0.001873	
State Owned Properties	0.02237		0.02237	
Public Service Purposes	0.002237		0.02237	
Public Service Infrastructure	0.002237		0.004885	
Illegal use	0.02684		0.02684	
Vacant Land	0.02684		0.029524	
Place of Public Worship	Exempted 100%			
Municipal properties				
Communal Land				
Public Benefit Organisation Properties, and Non-Profit Organisation Properties				

Waste Removal and Impact of Tariff Increases

A no increase in the waste removal tariff is proposed from 1 July 2020. The following table compares current and budgeted amounts payable from 1 July 2019:

Waste removal proposed tariffs	2019/20 excl. VAT	2020/21 excl. VAT
1. Domestic removal - Refuse	R 113.87	R 113.87
2. Business removal - Refuse		
1 - 2 Bins	R307.14	R 307.14
3 - 4 Bins	R 461.07	R 461 .07
5 - 6 Bins	R 496.39	R496.39
More than 6 Bins	R 711.48	R 711.48

Grants 2020/21

Details	Draft Budget 2020/21	Budget 2021/22	Budget 2022/23
GRANTS & SUBSIDIES			
National Government			
Equitable Share	79 348 000	84 593 000	88 952 000
Finance Management Grant	2 800 000	3 100 000	3 200 000
Municipal Infrastructure Grant	17 952 000	17 144 650	17 892 300
Integrated National Electrification	16 000 000	16 000 000	20 000 000
Public Works Integrated Grant	1 522 000	-	-
	117 622 000	120 837 650	130 044 300
Provincial Government			
Art and Culture	1 809 000	1 871 000	1 964 000
Community Library Services	1 271 000	1 360 000	1 426 000
	3 080 000	3 231 000	3 390 000
Total Grants & Subsidies	120 702 000	124 068 650	133 434 300

Summary of revenue classified by main sources

KZN261 eDumbe - Table A4 Budgeted Financial Performance (revenue management)

Description	2020/21 Medium Term Revenue & Expenditure Framework		
	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand			
<u>Revenue By Source</u>			
Property rates	27 505	27 478	29 127
Service charges - electricity revenue	29 337	31 097	32 963
Service charges - refuse revenue	4 000	4 080	4 162
Rental of facilities and equipment	1 567	1 661	1 760
Interest earned - external investments	1 200	1 272	1 348
Fines	3 000	3 180	3 371
Licences and permits	1 258	1 333	1 413
Transfers recognised - operational	86 601	90 794	95 443
Other revenue	589	624	661
	155 056	161 519	170 248
Total Revenue (excluding capital transfers and contributions)			

Employee cost

The employee related cost comprises of 45% of the operating budget and 35% of the total budget inclusive of Capital budget excluding the councillors remunerations. The employee costs percentage is above the threshold/ acceptable norm as per National Treasury Circular 71 which indicates that the acceptable norm for the Employee related cost must be 25% to 40%.

$$\begin{aligned} & \text{Remuneration (Employee Related Costs and Councillors' Remuneration) / Total Operating Expenditure} \times 100 \\ &= (R\ 66365000 + R\ 5805436) * 100 / 1511372530 \\ &= \underline{45\%} \end{aligned}$$

Employee cost

The increase on salaries for employees has been projected at 6.25% as per Circular no. 85 and 86 issued by National Treasury as well as bargaining Council circular for increment of salaries.

The employee cost has a provision of new posts to be filled during the next financial year. The posts in question are as follows:

Chief financial Officer, Manager Revenue, Examiner, Town Planner and IDP Officer.

Contracted services

The contracted services exercise to review the contracts we currently have is currently not finalized however meeting with service providers has been conducted and the negotiations for the reduction of scope of work is still in progress. The amount budgeted has been reduced and is currently in line with the proposed reduction of scope for Security Services and Grass Cutting.

Description	Budget Year	Budget Year	Budget Year
	2019/20	2020/21	2021/22
Security Services	R 5 100 000	R 5 406 000	R5 730 360
Grass Cutting	R 2 2125 00	R 2 354 250	R 2 485 965
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	R 7 312 500	R 7 760 250	R 8 216 325

Repairs and maintenance

The repairs and maintenance budgeted for 2020/21 financial year per item is as follows excluding the salaries portion.

Repairs and Maintenance

Description R thousand	2020/21 Medium Term Revenue & Expenditure Framework		
	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Electricity Infrastructure	R 2 683 750	R 2 844 775	R 3 015 462
Operations & Maintenance	R 2 341 500	R 2 481 990	R 2 630 909
Building Maintenance	R 2 026 500	R 2 148 090	R 2 276 975
Total	7 051 750	7 474 855	7 923 346

Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. The municipality is currently provide the free basic electricity to rural household and the municipality pay Eskom for the provision of the free basic electricity since the license holder is Eskom. The list of beneficiaries on this program needs to be reviewed and updated with ESKOM.

Depreciation

This is a non cash item budgeted for as per the stipulation of the new accounting standards and is funded from backlog depreciation. The depreciation and impairment of assets has been budgeted at **R21000 000** for 2020/21 financial year.

Capital expenditure

The capital budget is funded by the grants which will be transferred to the municipality by National Treasury as per DORA allocation gazette for 2020. An amount of R 17 952 000 million will be transferred by Department of COGTA (Municipal Infrastructure Grant) while R 16 million will be transferred for electrification programs by Department of Energy (INEP).

MIG PROJECTS 2020/21

The total allocation for the municipality for 2020/21 Financial Year is R 17.8 m

PROJECT NAME	BUDGET AMOUNT	WARD
MDWADLAZA COMMUNITY HALL	R 3 500 000	1
EZIMBOMVU COMMUNITY HALL	R 3 150 000	2
EDUMBE COMMUNITY HALL PHASE	R 1 800 000	3
HARTLAND COMMUNITY HALL	R 3 150 000	5
PIVAAN PEDESTRAIN	R 3 142 000	7
EMAPHAYIPHINI COMMUNITY HALL	R 3 150 000	7

INEP projects 2020/21

The total allocation for the municipality for 2020/21 Financial Year is R 16 m

PROJECT	BUDGET	WARD
ZUNGWINI ELECTRIFICATION	R 4 000 000	7
OBIVANE ELECTRIFICATION	R 656 166	1
KWASONKELA ELECTRIFICATION	R 4 851 754	1
NHLUNGWANE ELECTRIFICATION	R 992 080	8
INFRASTRURE UPGRADE	R 5 500 000	3

Recommended Council Resolutions

THE RESOLUTION ARE AS PER THE ITEM SUBMITTED

I thank you!!!!!!